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LOGNOTE -- Chief, Operations Group, 3 October 1985

1. (Williams) [] called for advice on monitoring the construction contract. During the period when the contract was being drafted and negotiated, on the advice of the GSO, he had hired a local structural engineer who has worked for the Embassy at various times and who is trusted by them. Chuck paid the engineer \$3000 for his services. He estimates that, in reviewing the bids and helping with the final selection, the contract engineer saved FBIS between \$25-50K. Chuck now wants to put the structural man on retainer to oversee the actual construction. Chuck feels he will need someone on site, since Headquarters cannot provide a project engineer. The contractor is asking \$2000 per month. Chuck feels he is well worth the fee as insurance alone. He will be on site two or three times a week to insure compliance with the specs, already has shown ways in which between \$35-40K can be lopped off the contract by using alternate construction strategies, and will be looking for ways to avoid overruns which, apparently, are endemic in projects of this kind in Cyprus. (Whalen comments that he had never seen an overseas project that didn't involve at least a 25 percent overrun.) Chuck added that the construction firm is a great power in the Nicosia area, with influence in many quarters. The structural engineer will put someone, who speaks from knowledge, between the bureau and the construction firm to negotiate disagreements which are bound to arise, any instances of non-compliance, and any costly changes the construction firm springs on us.

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I said that, if it was up to me, I'd say to go ahead, but I felt I should put this through channels. Our bureau chiefs have no background or training to handle this kind of project and are pretty well defenseless without proper support. Chuck asked whether he would need a separate contract for the structural guy or whether he could pay him out of operating funds? I said I felt a separate contract was required but we would let him know.

(cc: D/FBIS, C/ESG, C/FSB, C/E&PS, C/AS)